



the Plan

Spring 2014

The Great Crash by Nathan J. Twining

Harry S. Dent Jr – Best-selling author, founder of economics research firm HS Dent, predictor of the 1980 Japanese market bubble and the US Bull Market of the 1990s, MBA of Harvard Business School, top 5% in his graduating class... the accolade list goes on and on. When someone like Harry S. Dent Jr. speaks, people listen.

So let me ask you something; does this sound logical?

-Europe's debt crisis and a global reduction in spending due to aging baby boomers will slow down economic growth across the globe. Additionally, easy credit has led to a new real estate bubble, poised to pop at any moment.



Sure it does. Those are all logical conclusions based on current sentiments, especially with the reinforcement from someone of Harry S. Dent Jr.'s pedigree. You see, Mr. Dent has made a bold prediction; the stock market is poised for a massive crash, 50 to 70 per cent according to his measure. Not only is he predicting the crash, he's putting his money where his mouth is with his Dent Tactical exchange-traded fund (DENT).

Per Mr. Dent; "We told people to get 100 per cent out of stocks last Friday. You might miss the last 2, 3, 4, or 5 per cent, but when it falls, it can fall so rapidly."

Does this information worry you? A Harvard MBA, economics research firm founder, predictor of past market crashes and booms is telling you the market is going to crash by over 50% in the next year or two. It certainly sounds worrisome, so let me ease your mind.

Would it make you feel better if I told you this prediction happened in January of 2012? In 2012, the Russell 3000, a broad US equity index, went on to return 16.42%. Well, okay, maybe he missed it by a year, in fact, he even predicted he might be off by a few months; "You may get another bounce in the markets, but you just push the crash lower down the line into 2013 and 2014."

So let's see what 2013 had in store for investors. Surely this Master's Degree economics professional can't be too far off. The Russell 3000, in 2013, had a total return of... 33.55%. Oh yes, many years ago Mr. Dent also predicted the DOW would hit 40,000 by 2009.

Now, I don't mean to single out Harry S. Dent Jr. here, I just happened to stumble on an article relating to him recently. There are plenty of other willing participants to harangue with equally impressive resumes and similarly dubious track records. The point is that it's easy to cherry pick predictions that came true when you make hundreds of predictions, especially when the media is so willing to celebrate your victories and brush the failures under the rug. The general populace gets the impression that people can accurately predict future market conditions because that's all they see on TV, magazines, and the internet.

Of course, most reasonable predictions **do** come true, just as someone in Bellingham who says "we will have a sunny day in the future" is eventually correct. A future bear market is a reasonable prediction, as market corrections happen quite often. What value does that actually provide us? Absolutely none, other than to illustrate how ridiculous attempting to invest based on predictions about the future are. Worse actually; these predictions are devastating for any investor who uses them to time the market.

There will be future market corrections and future predictions that sound entirely logical. Someone will "call it," like Harry S. Dent has done in the past, but it's no more than blind luck would suggest. The implication is that stock-picking, market timing and active management simply can't provide long-term value because future returns are based on future events, which by their very nature are unpredictable. Above-market results from these strategies are merely due to luck rather than any repeatable skill. Here is a dire prediction that **will** come true: if you invest based on predictions and speculation, your financial future will be in serious jeopardy.

Mr. Dent says he will be proven right. "Most of the time asset allocation works," he says. "But when you get a major bubble burst like in the Roaring '20s and now...if you just sit and don't make changes, you're going to get killed."

Also of note in 2012, the DENT index fund was closed and liquidated. Sounds like intelligent investing and asset allocation are still working "most of the time."



On a Personal note

Dave & Bonnie

We've had a busy spring just like everyone else between school, work, and 3 kids in sports! Sometimes, you just need to be 3 parents... So grateful that David has flexibility to be there helping me. We did our FIRST EVER Spring Break trip and kept it as a total surprise. We didn't tell them until we are at the airport that we were taking off for San Diego. They were thrilled and we DID the town. Highlights were Sea World, San Diego Zoo & Legoland. Great family time and we were just so thrilled that the kids constant response was *gratitude!* Now we're winding down the school year, only 3 1/2 weeks left.



If you need something to do on a Saturday in May... come out to Bender Fields (Lynden) and cheer on the Financial Plan, Inc. 3rd/4th grade boys baseball team! David is coaching our youngest sons team. I'm supporting the middle son on another team and Kristin is split between the two, unless she is at a Track Meet.



MUST. STOP. THE. MADNESS.... Summer is coming!

Jamie & Jeanne

Jeanne and I spent a few days in the Jordanian desert called Wadi Rum with the Bedouins this March, staying in their camps and riding their camels.



This is a racing camel; She went four kilometers in six minutes! She took off on me and I barely hung on... It's harder than staying on a horse, and you have farther to fall.



Devin & Stephanie

The first four months of the year were busy! If work, teaching finance classes at the community college, coaching middle school wrestling, and building a spec house didn't keep me busy enough the family surely will! In February Steph, Elodie, and I were able to keep my grandpa company in Mexico for 6 days. I wouldn't trade the time I was able to spend chatting with grandpa for the world! Stella and Graedon received their first bikes and were very quick learners. I'm hoping things slow down a little this summer so the kids can learn how to swim (unassisted) and I can try to figure out the frustrating game of golf!



I was offered this camel in trade for Jeanne.

One Muslim man actually offered me thirty camels! I could have been rich.... But.... I decided that although Jeanne isn't as fast and doesn't carry as much as a camel, she doesn't bite or kick as hard either, so I kept her...



Nathan & Lisa

On March 31st, 2014, we welcomed Annalise Vivian Twining into the world! Weighing in at 8 lbs. 11 oz., she was a little bigger than everyone expected and absolutely beautiful. Finley is as enamored with her little sister as we are (as you can see in the picture) and can't stop "petting" and kissing her.

Everything went smoothly at the hospital and we were once again incredibly grateful and impressed with the skill and care at the St. Joseph facility. Annalise is healthy and has all her fingers and toes. She already seems a little more subdued than Finley was at that age; time will tell if that holds true in the future.

Unfortunately, I couldn't help but do a Present Value calculation on the cost of a 4-year Degree in 18 years and the results don't look pretty. Time to up those 529 Plan contributions.

